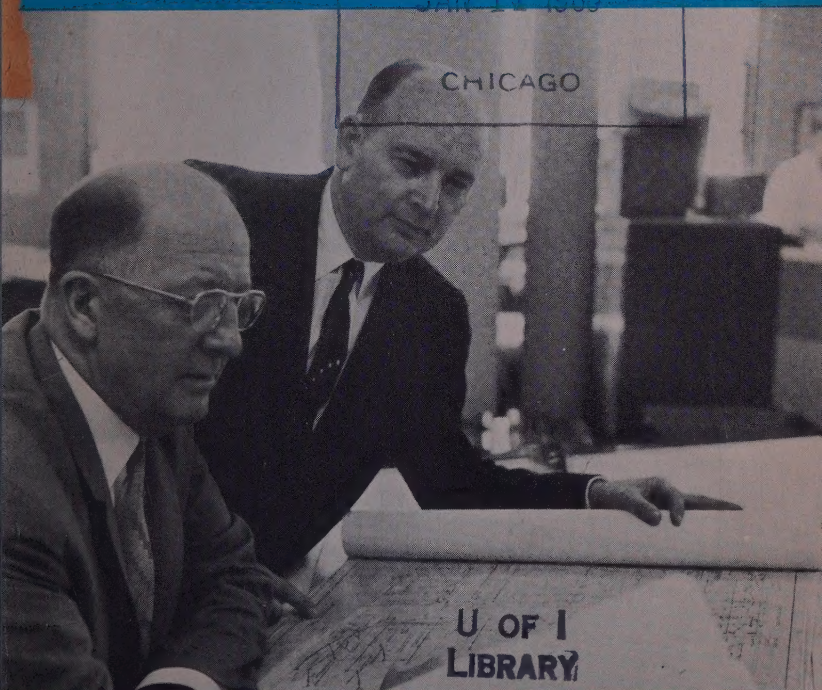
January 6, 1960

Investor's Reader

For a better understanding of business news



PRESIDENT BATTEN (r) CHECKS PLANS FOR PENNEY'S FUTURE (see page 21)

MODERN PACKAGING

𝔗𝔥𝔢 𝔗𝔦𝔪𝔢𝔰 in wrap

The 80,000 Sunday *New York Times* mail subscribers will soon receive their copies of "All the news that's fit to print" packaged in clear, tear-resistant polyethylene. For years *The Times*, like other newspapers, was mailed in a standard kraft paper wrap but the increased weight of the Sunday edition—it now averages five pounds—spurred the switch to more durable "poly" despite the extra expense—triple the cost of kraft, but wrapping goes five times as fast. Made of Union Carbide low-density Visqueen poly these special-sized bags are fashioned by privately owned Equitable Paper Bag Company of Long Island. Visqueen came into the Carbide fold three years ago when the No 2 US chemist acquired Visking Corp, a company also noted as the country's leading maker of sausage casings.

However Visqueen is but one of Union Carbide's growing plastics family. The $650,000,000-assets company also makes high density poly phenolics (used for all types of molded products), vinyl for flooring, insulation and protective coatings, styrenes used in heavy-duty molded products throughout the electrical and mechanical fields and epoxies which go into surface coatings for electronic components.

All told plastics are expected to contribute about 22% to 1959 sales which are estimated, despite the steel strike, at a record shattering $1.5 billion, up 15% from 1958. Earnings are figured at an alltime high of $5.50 a share v the previous record of $4.86 a share earned in both 1956 and 1955 and the recession-affected $4.15 of 1958.

Accepted as controlled circulation publication at Poughkeepsie, New York. INVESTOR'S READER published fortnightly. This issue dated January 6, 1960.

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Investor's Reader

No 1, Vol 34 — January 6, 1960

Business Predicts Business

Chicago Bank Hosts Industry Self-Survey Of the '60 Look

CONTINUING a tradition established last year the First National Bank of Chicago has published its *Outlook for Business for the First Six Months of 1960.* The neat pamphlet contains predictions from eleven leading corporate executives, each summing up the prospects for a major industry. The eleven were the participants in the bank's sixth annual panel discussion on the business outlook.

On the whole the predictions were bullish. But to a man the speakers relied on the premise there would be no resumption of the steel strike this year.

• From president Homer J Livingston of host First National came these views on the all-important money issue: "Weighing both the supply and demand factors, I believe the demand for credit will tend to exceed the supply and flow of savings and a reasonably strong demand for bank loans in the first half of 1960 is probable. In these circumstances, the Federal Reserve System is likely to continue its present restrictive credit policy. As a consequence, I expect credit in the next six months to continue to be tight and interest rates to be firm, with any change more likely to be upward than downward."

• Eskil I Bjork, chairman of Peoples Gas Light & Coke declared: "The economic outlook for the public utility industry, represented in this case by the telephone, electric and gas segments, is one of continued growth in the area of services rendered in the first six months of 1960 and of continued expansion of facilities at approximately the 1959 level. The financial results of the public utility industry should reflect this growth in service and the continuing increase in dollars of in-

vested capital. 1960 should be a good year."

• Inland Steel chairman Joseph L Block believed his industry will operate at 93% of capacity in the first half this year to produce a record total of at least 70,000,000 tons of ingots. He added: "While the full year 1960 looks very good, it does not seem likely that the tempo of the first half will continue unabated * * * However, we would still expect the second half to be exceedingly good, and the year as a whole to mark a new record in steel production by a wide margin. Our estimate is that output for the year could reach 130,000,000 ingot tons, resulting in an operating rate of 87% capacity."

• James C Downs Jr, chairman of Real Estate Research, gave a mixed report, looked for first half residential building to be off 20%, commercial building up 5%, industrial building up 20%, institutional building unchanged, repairs & maintenance up 6%. "On balance in the first six months the industry will be off 6.6%."

• Also greatly interested in the construction picture is chairman Louis B Neumiller of big equipment supplier Caterpillar Tractor. He considers "the 1960 outlook bright for several categories of private and public construction" and thus looks for a "moderate increase in demand for construction machinery. Plant expansion is on the upswing and present prospects indicate a further expansion of commercial building" this year though tight money will probably cut residential building. He added: "As an aftermath of the steel and copper strikes, machinery sales for industrial applications are expected to be brisk." But "after catching up with deferred domestic orders" the machinery suppliers expect relatively greater strength from "foreign markets for construction machinery which have strengthened progressively in 1959; this growth is expected to continue into 1960."

• Earl D Johnson, president of General Dynamics, foresaw "expanding deliveries and a renewal of orders for commercial transports and a level of expenditures for military aircraft somewhat below last year's. Government outlays for missiles, space vehicles and electronic end items will rise during this period and will continue to do so in the years beyond. The longer-range outlook for manned military aircraft hangs on a resolution of the Government's fiscal and defense policies."

• The retail viewpoint was represented first by Sears, Roebuck president Charles H Kellstadt who expects "a high level of employment which will produce a favorable climate for personal consumption expenditures during practically all of 1960 with the result that good gains in consumer spending for services and durable & non-durable goods can be anticipated. Durable sales may well increase 8-to-10% this year over 1959. Non-durables will also move ahead but probably at a more modest rate of around 5%." In both categories he expected the rate of increase to be greater in the first half than in the second.

• Then for the food chain segment

of retailing, chairman Franklin J Lunding of Jewel Tea estimated "disposable personal income might average approximately 5% higher than in the first half of 1959. Total sales of all retail food stores would be expected to show almost as great a percentage increase."

But super-grocer Lunding warned: "Increasing expenses and the usual rugged competition, unless again offset by a continuation of the trading up on the part of customers which has characterized the past decade, may make a further rise in earnings more difficult for the corporate food chains in the first half this year. Results of individual companies will almost certainly become more mixed. [But] for the industry as a whole, earnings should about keep in step with sales increases."

• As autodom's representative Chrysler executive vice president W C Newberg happily announced: "At present no one in Detroit is thinking in terms of a 1960 retail market that will fall much below 7,000,000 units, including something like half a million imports * * * There is every reason to expect the automobile business to be excellent during the first six months of 1960. And this means that the economy in general should receive a very strong stimulus from the near-record levels of activity in our industry."

• For the oil industry which has been plagued by two years of oversupply, chairman Frank O Prior of Standard Oil of Indiana reported: "In the first half we anticipate an increase in domestic demand for petroleum products of about 3.1% over 1959's first half. This also assumes steel output near capacity. Demand for domestic crude should rise about 4.2%, assuming no marked change in Government control of oil imports. If, as it is reasonable to expect, the industry has learned a lesson as a result of the senseless overproduction of products last year, then there should be a better balance of supply and demand. A good 1959-60 winter heating season [it has been good for oil so far] would be most helpful.

"In this economic climate prices should firm and strengthen, but the oil industry is so intensely competitive that improvement in the ratio of demand to supply does not automatically cause strengthening of price. Nevertheless, as we see it now, profits for the first half of 1960 should be as good as those for the first half of 1959 and, given a few favorable factors, somewhat better."

• For the railroads the chairman of the nation's biggest carrier, James M Symes of the Pennsylvania, predicted: "It seems to me that the first half of 1960 will be either quite good or very bad in the railroad industry. Which of the two it turns out to be depends very largely, I think, on how quickly and satisfactorily labor agreements are reached in a number of industries, including the railroad industry itself.

"Should things go as I hope I would estimate that the railroads would carry, in the first half of 1960, some 5-to-7% more traffic than in the first half of 1959 when we were busy helping to overcome the effects of the recession."

NATIONAL ECONOMY
Growing Decade

AT THE THRESHOLD of the Sixties, chief economist Gerhard Cohn of the National Planning Association cheerily predicted US economic growth in the next decade would proceed at a 4.2% annual rate compared to the average gain of 3% a year in 1951-59. This will keep the US well ahead of the Soviets economically (but not necessarily in military might or cold war skills) even though Dr Cohn figured their rate of gain (scaled down from Khrushchev's boasts) at 6.3% for the past decade and perhaps 6% in the Sixties.

ELECTRICAL EQUIPMENT
Thomas & Betts

FROM THE Elizabeth, NJ offices of Thomas & Betts Company president Nestor Joseph ("Mac") MacDonald explained over the phone: "We go wherever electricity goes. Our products connect, terminate and splice every type of wire and electrical raceway. They are in the high wires overhead and in the subways. Also in the ticker, in electric blankets and oil burners." Efficient T&B has spliced its equipment into such places as Yankee Stadium, Radio City and the *Nautilus*.

T&B checks high temperature terminal

Omnipresent T&B products are divided into two general categories and each contributes roughly half of total volume. The first is conduit and cable fittings & accessories. Conduit houses electric wire while T&B fittings, couplings, enlargers, etc "both fasten pipe sections together and hold the wire in place." In other words, Mac MacDonald says, "we zip the raceways up."

The second T&B line consists of current-carrying products such as solderless terminals and connectors. The latter are used to join wire-ends and also to connect tie-in or tap wires to the main line. Terminals link wires or other electrical conductors with both power sources and uses as well as with intermediate items such as transformers, circuit breakers and controls.

T&B expanded this line in June 1958 when it acquired Kent Manufacturing Corp of Newton, Mass. Kent had engineered a process which feeds continuous strip terminals into an automatic fastening machine for rapid attachments. In 1958 Kent lost $73,000 but as production started in the latter part of that year the company became profitable and Mac MacDonald says "it was in the black in 1959."

Altogether T&B makes 25,000

arieties of its electrical products which are sold exclusively through wholesale distributors. These include such national organizations as General Electric Supply, Graybar Electric and Westinghouse Electric Supply. T&B believes "wholesale distribution cuts the manufacturer's selling costs" and thereby reduces the consumer price.

T&B products, nearly all mass-volume, low-cost items, were hit by severe price competition in 1957; sales dipped 3% from record 1956 to $17,800,000. Profits were hard-hit and declined 13% to $2,230,000 or $1.46 a share. The price war continued in 1958 and with the general business decline volume dropped to $17,100,000 and net income to $1,520,000 or 98¢ a share.

But price schedules were restored in late 1958 and their effect has brightened 1959 results. In the first nine months sales gained 29% to $16,100,000 while profits soared 66% to $1,990,000 or $1.30 a share. For the full year Wall Streeters estimate profits at an alltime high of $1.75 a share.

T&B stock (there are 1,500,000 common shares outstanding) has reflected much of the improvement. First offered to the public last February when 300,000 shares were sold at 17½ the stock slowly moved to around 23. But with still only a thin supply available and spurred by the good nine-month report, the shares sprinted to 29 recently in the over-the-counter market. Dividends are 20¢ quarterly.

The future looks attractive to Mac MacDonald. He counts steady gains from such new research developments as heat-resistant terminals for aircraft use. To take care of growing demand the company last week opened a $1,000,000 addition to its Elizabeth plant which will increase capacity by about a third.

Born 64 years ago on the Isle of Skye in Scotland, Mac has watched T&B grow since 1921 when, after service with the Canadian Army in War I, he joined T&B as a salesman. He moved through the ranks to reach the top job in 1955. Late last year Mac MacDonald was also elected president of the National Association of Electrical Manufacturers (NEMA) which "I think is a very nice distinction for a small company such as ours."

OIL

Now We Are Six

THIS MONTH the Aztec Oil & Gas Corp of Dallas celebrates the onset of its seventh year with signs of robust youth. Specifically the $22,000,000-assets exploration & drilling company expects record 1959 earnings of nearly $5,400,000 or about $2.15 a share, a springy leap from 1958's 84¢ a share which was also a record.

In the first ten months of 1959 Aztec earned $4,590,000 and executive vice president Van Thompson says "I can't see anything that stopped us from earnings of $400,000 a month in both November and December."

This slick showing is due to amazing drilling success in the Aneth area of southeastern Utah (Four Corners) where Aztec owns 5,000 acres

jointly with Phillips Petroleum. In the first nine months of the year the company scored 100% on all 56 wells drilled there to boost production from an average of only 2,803 barrels a day in 1958 to 6,600 barrels by the end of 1959.

Actually Aztec does no production itself. While the company explores and acquires land and supervises drilling, the extraction is done under agreement with other oil companies. In this way Aztec feels it can divide the risk and at the same time cover plenty of territory.

Besides the Four Corners area, Aztec has producing natural gas & oil holdings in the San Juan Basin and producing oil properties in the Permian Basin of New Mexico. It is actively exploring in Colorado and other parts of Utah and in Wyoming which it considers particularly "promising." In addition, Aztec has leases in Alaska where "we are just sitting on ice waiting."

The non-extraction policy also keeps Aztec employes to a remarkably small number. At the end of 1958 the company had only 36; during the past year its work force grew by nearly one-third—to 47.

Aztec is young but it had the advantages of gentle birth—if birth in the rough & tumble oil industry ever can be. It was spun off from Southern Union Gas Company in 1954 when the natural gas public utility decided its production subsidiary was too promising to remain under the umbrella of public utility regulation.

While 1959 has ended with a flourish, Aztec looks at the New Year with more guarded optimism. Van Thompson says: "We don't expect anything like the leap of 1959 over 1958. We'll be real happy if income rises 10-to-15%."

Meantime Aztec stock has reflected its production success. From its 1954 low of 6¼ it soared to a high of 24 recently in the over-the-counter market. Company stockholders, now 8,500 strong, have received 5% stock dividends in each of the last two years. As for a future stock exchange berth, executive vp Thompson says: "Not now; we're still a young company."

RECREATION
AMF Skittles Strike

TWO WEEKS from today US bowling king American Machine & Foundry ("the world's leading bowling equipment supplier") will score the first commercial ten pin strike in Britain when subsidiary AMF-Ten Pin Bowling Ltd opens "Ten Pin Lanes" in London's Stamford Hill section. A former movie theater, the new bowling palace will boast everything from AMF automatic pinspotters, underlane ball returns and Pindicator signals to a closed circuit TV link between the lanes and a nearby nursery so bowling mothers can keep their eyes on both ball and baby. AMF hopes such swish surroundings will cause the traditional beer & skittles (the British nine pin game) to revert to the more gracious soft-drinks-only ten pin living.

AMF plans a second center in the Midlands soon after and chairman Morehead Patterson states: "Other

centers can be opened by anyone who can qualify in making a success of running a center."

To meet the expected British demand for bowling equipment AMF will manufacture shoes, balls, pins, etc right in Britain. And while at the onset it will import automatic pinspotters from the US, "plans are well underway for their local manufacture in the United Kingdom and elsewhere." And to finance other potential bowling center entrepreneurs and generally promote the game, AMF will team with Norlantic Development Company whose head Douglas Fairbanks Jr of cinema fame was just named an AMF-Ten Pin director.

Patterson & Fairbanks (c) eye British bowlers

Since it first went abroad not quite a year ago to install automatic bowling equipment at US Air Force bases in Germany, France and Britain, AMF has bowled quite an overseas score. It now counts 722 foreign orders or installations. In June it made the first commercial pinspotter installation in Sweden; in November the first in Latin America, an automated bowling facility in Mexico City which was followed by one in Venezuela a month later. Other pinspotter sites: Australia, Belgium, Bermuda, Denmark, Panama and Switzerland.

Morehead Patterson notes: "Since March our facilities have been strained to install modern automatic equipment around the world; the limit is not demand which seems to be limitless but our capacity to meet demand."

The world-wide market also offers a whole new frame for AMF pinspotter expansion which has reached saturation in some parts of the US —namely, upstate New York, Michigan, Ohio and Illinois. Even so there are still "many new areas of opportunity in the US; in New England for example where ten pin bowling has just been introduced, in the Southeast where ten pin bowling is replacing duckpins and in the ever-expanding Far West."

In any case pinspotter expansion has been the big push in mounting AMF financial results. Though first successfully introduced only in 1953, there are now 54,000 machines installed and operating with almost 9,000 more on order. Today pinspotters contribute "more than half" of company net; the rest comes from such diverse products as cigar & cigaret machinery, pretzel tying equipment, toys, etc.

In the first nine months of 1959 the company scored records in both revenues and earnings with sales up

24% to $199,000,000 and profits up 82% to $12,000,000 or $1.67 a common share (adjusted for a 2-for-1 split in October). And for the full year vp-treasurer David S Meiklejohn expects revenues hit $275,000,000, up almost 20% from 1958 and ahead of the previous record of $262,000,000 in 1957. Earnings are figured around $19,000,000 or $2.50 a share compared to $1.59 in 1958 and the peak $1.76 in 1957. As for 1960, Wall Streeters figure AMF should bowl over $300,000,000 in revenues and likely a "300" (cents) in profits.

MANUFACTURING

Lamson & Sessions Session

THE MOTTO of Lamson & Sessions Company of Cleveland is "Makers of Fine Fasteners Since 1866." These include such mundane items as bolts, nuts, screws and cotter pins which through the years have enabled this senior citizen to make respectable if not glamorous financial showings. President George Sessions Case Jr, great-grandson-in-law of the co-founder, estimates "we earned around $3 a share from operations" in 1959. This does not include a capital loss of $190,000 or 39¢ a share from sale of an old plant. Even so it makes a nice comparison with the $935,000 or $1.67 a share netted in 1958.

Already in the first nine months of 1959 net operating profits had soared 192% to $1,350,000 or $2.58 a share while sales gained 43% to $32,400,000. In the month of October alone L&S chalked up another 29¢ a share. But due to the prolonged steel strike the 1959 recovery was not quite as good as George Case had originally expected. In fact "we lost $76,000 or 18¢ in November."

Lamson & Sessions still has a long way to go to match the plush $5 or so netted from operations in 1955 and 1956. One reason for the lag has been intense price competition. President Case says: "The industry is indulging in the luxury of a price war. Our prices are down about 10% from their previous highs." While he refuses to comment on any future firmness he does admit: "I think the industry has had a bellyful by now."

In the meantime L&S continues to improve facilities. In 1956 the company moved into a new factory in Chicago, the next year switched operations from two outmoded Cleveland units to a single integrated suburban plant. The change-over cost the company $589,000 in moving expenses alone but more efficient operation should boost profit margins in the future.

L&S sells its "fasteners" to many manufacturers including auto, farm equipment, aircraft and steel fabricators. The biggest chunk of volume (35-to-40%) however comes from outside distributors who in turn resell to hardware and small industrial concerns.

Lamson & Sessions has also headed far south with a 15% interest in Industria de Parafuso Mapri of Sao Paulo, a bolt & nut maker for the Brazilian auto industry. As for any further acquisitions president Case allows: "We have nothing on the front burner now—not even simmering. But

in these times everyone has something on the back burner at least."

Smallish ($32,000,000 assets) Lamson & Sessions lists its 488,000 common shares (30% are closely held) on the Amex. At present the stock trades around 27, a couple of points above its 1959 low. In November directors increased the quarterly dividend a nickel to 35¢. This is not back to the peak 45¢ rate of 1956-57. However prexy Case hopes "we can get back to that level again someday."

UTILITIES

Service Companies Service

IN RECENT WEEKS 15 staff engineers of Southern Services Inc have met at their Birmingham head office to tackle some technical problems in connection with a huge 1,000,000-kw steam generating plant for Southern Electric Generating Company (Segco) which is under construction at Wilsonville in the heart of Alabama. Services president Ernest Charles Gaston assures the problems "are simply routine" since the main design has been off the drawing boards for some time.

Southern Services and Segco have more than just a consultant-client relationship. They are both members of the same family—that of $1¼ billion-assets Southern Company. To be more genealogically specific they are both grandchildren of the big utility holding company.

Segco is the joint offspring of Alabama Power and Georgia Power, the two largest of Southern Company's four operating power subsidiaries (the other two are Gulf and Mississippi Power). It was formed in 1956 to construct and run the $150,000,000 Wilsonville installation for the two parents who will share the capacity equally. The first two Segco units with 250,000-kw capacity each will be brought into service this year, the third in 1961 and the final unit in 1962. This will bring the Southern system's total capacity to over 5,700,000 kw to serve an area of 122,000 square miles and a population of over 6,500,000.

With a Smile. Southern Services is, as its name implies, a unit which provides a wide variety of service for members of its family. Its activities touch virtually every operation in the entire Southern system from design and purchase of equipment for huge projects like the new Segco plant to preparation of all kinds of statistics for the system. In its duties and functions, Southern Services is similar to centralized service organizations maintained by many of the nation's utility holding companies to handle engineering and often accounting and other administrative jobs for system members.

In most cases the service unit is a direct subsidiary of the parent holding company; however Southern Services is one additional stock generation removed from grandparent Southern Company. Its 8,500 shares of $50 par stock are entirely owned by Southern's four operating utilities in proportion to their annual revenues. From time to time the operating companies buy & sell shares among themselves to adjust the ownership for changes in relative size. Right now Georgia Power

owns 47.72%, Alabama 38.12%, Mississippi 7.10% and Gulf 7.06%.

Another interesting aspect is Southern Services is the only member of the family without direct investor contact. At the top of the holding company pyramid is Southern Company itself with 125,000 stockholders for the 22,400,000 common shares (currently around 40 on the Big Board). The four operating subsidiaries each have debt and preferred issues in public hands while sub-subsidiary Segco just floated $25,000,000 of 5¼% bonds. This brought total system debt to $627,000,000 and preferreds to $112,500,000. But in the case of Southern Services, the stock owned by the operating companies makes up the entire capitalization.

The service unit is strictly a "nonprofit" corporation since the outfit works only for its parents and other family members and by law can charge for services only at cost which, since it does not "sell" to outside customers, includes no promotional expenses. But Southern Company finds it a profitable operation nonetheless. For instance, it estimates it would require $40,000,000 worth of additional capacity if its subsidiary utilities were to operate independently instead of as an integrated system with power regularly interchanged between companies; Southern Services is in charge of regulating this cost-cutting "power pool."

Other Southern Services duties range from preparation of earnings releases to compiling consolidated income tax returns (as well as individual company state income taxes). It also makes up all the many reports required by the SEC. Another important facet of its work is studies of necessary expansion.

But while the jobs Southern Services performs are varied, president Gaston explains "engineering, in volume, represents by far the principal service rendered." It accounts for roughly two-thirds of total billings ($3,500,000 in 1959). Formed in 1939, the main design group employs about 100 engineers (total Southern Services work force is over 300) and by 1961 will have designed over 4,000,000 kw of new capacity costing half a billion dollars. The group's operations include design of all the system's steam and hydro generating projects. In addition it plans transmission lines and property improvements for the two small companies, Gulf and Mississippi.

Service History. The idea of a utility service company is not new. It goes all the way back to the turn of the century. In 1905 General Electric formed Electric Bond & Share as a receptacle for securities handed over by small utilities in payment for GE equipment. At the same time it set up a central service organization which was to become Ebasco Services. When the small operating companies merged, the system gradually became more integrated and the utility empire of the Twenties began to take shape. In 1925 Bond & Share became independent through a spin-off of its stock to GE owners.

All the while Ebasco was becoming more & more important to the holding empire and first Bond &

Share president Sidney Z Mitchell referred to the organization as his right arm. At this time Ebasco (and the service companies of the other holding groups) could charge its affiliates profit-making fees for the services it rendered; by 1928 almost half of Bond & Share income came from Ebasco.

Service Switch. Then one of the more serious charges levied against holding companies in the Thirties was the service organizations were "milking" the utilities by charging exorbitantly high fees. Consequently one section of the "death sentence" dealing Public Utility Holding Company Act of 1935 required service companies to work for their own family on a cost basis.

Unwilling to lose a good moneymaker, Bond & Share decided to get out of the utility holding business and set up Ebasco as a separate subsidiary so it could solicit utility business for a profit. In 1942 Ebasco also began to offer its services outside the utility field and nowadays has about 300 industrial customers. Ebasco has once again become a profitable part of Bond & Share, in 1958 paid $2,500,000 in dividends to its parent. Bond & Share's other remaining vestige of its holding empire is 52%-owned American & Foreign Power (not under holding company restrictions since it operates overseas).

Among Ebasco's leading competitors as a general utility consultant is Stone & Webster Inc. Actually the first utility service company, it started in 1889 as an engineering firm for the electrical industry. The young utilities needed financial & management assistance and Stone & Webster soon provided these services. Then in the Twenties Stone & Webster organized its own holding company, Engineers Public Service,

Southern service for Segco

and began to build and acquire a string of utilities. In 1937, after divesting itself of all utilities without a court fight, S & W became again an engineering consulting outfit—along with the role of investment banker (specializing in utility financing).

Southern Services also has roots which go back to an old holding company, Commonwealth & Southern. After the C&S "death sentence" was confirmed despite the determined and renowned fight waged by C&S president Wendell Willkie Commonwealth took over the service organization in the North and became an independent consulting firm in Jackson, Mich. Southern which was formed in 1949 to take over the four operating units which the old empire was permitted to retain as an "integrated system," also kept a part of the service company which was reincorporated as Southern Services.

Most other major utility holding companies also maintain their own service organizations, including American Electric Power and Central & Southwest Corp. One exception is Southern's neighbor (and one-time "Dixon - Yates" partner) Middle South Utilities which believes in maximum decentralization. Its four operating subsidiaries each handle most of their own accounting, routine engineering, etc, hire independent consultants and services (like Ebasco) when needed. Similarly most independent utilities like Engineers Public Service-alumnus Virginia Electric & Power (IR, Oct 28, 1959) use different non-affiliated service companies when they find a need for outside help.

RETAIL TRADE

Outlet Let In

ADMISSIONS to the Big Board have become quite commonplace (IR, Nov 11, 1959). Nor are deletions from the trading roster a rarity, especially since in recent years the Exchange has become more restrictive about minimum standards of size, profitability and stock distribution. But few companies (in fact, Stock Exchange veterans could recall no close parallel) have gone through the revolving door experience of Providence merchant The Outlet Company which was let out from NYSE trading last March, then let back in again at the end of November.

Tomorrow, in a postscript to the re-admission, Outlet stockholders will gather to vote a 5-for-1 split. This liberal division will increase the company's all-common capitalization (no funded debt, either) to exactly 497,100 shares, still substantially less than nearly all its 1,100-odd fellow-listees on the New York Stock Exchange.

The reasons for Outlet's out & in trip are clear enough. Late in 1958 a Webb & Knapp affiliate styled 91065 Corp made a $120 a share offer for Outlet stock and within a few months received acceptances for 95,000 shares. This left uncommitted only 4,000 shares held by 120 stockholders which the NYSE found far too small for proper Big Board trading.

But 55,230 shares (56% of all Outlet stock) came from a trust and two of its beneficiaries challenged the action. In October, with the case

still embroiled in the courts, Webb & Knapp (which had vainly boosted its bid to $125) withdrew its offer. Consequently the Big Board agreed to return Outlet stock (which had only been suspended, not delisted) to trading status but in return won the agreement for the 5-for-1 split in an effort to broaden the market and increase the number of stockholders. While the latest reported total of 810 stockholders shows quite a wide distribution for the 45,000 current shares outside the trust (individual holdings thus average only 55 shares), this is barely half the Big Board's desired minimum of 1,500 holders.

On another criterion, $12,300,000-assets Outlet is comfortably above the Big Board standard of $8,000,000 assets. Most of these assets represent the largest department store in Providence (and hence "in southeastern New England") which was started in 1894. Outlet which features popular-priced merchandise has stayed aloof from the nationwide migration toward suburban branches.

However on top of its massive downtown Providence store are the antennas which symbolize another big postwar trend. Outlet owns radio & TV stations WJAR which in recent years have radiated far beyond the company's retail profits. Thus in 1958 fully $6.33 of the $8.99 a share earnings came from radio-TV; the year before $5.36 out of $7.69. And indications are the 1959 fiscal year (which department store-fashion ends in three weeks) will show the same trend.

WE HEAR FROM . . .

Harshaw Score

CLEVELAND

GENTLEMEN:

The article on Harshaw in your December 9 edition is very good and will be of help in keeping our name before the investing public.

The only comment I would like to make refers to the last sentence in the second paragraph, "The profit peak was reached in 1956 when Harshaw earned $5,230,000, or $2.54 a share on a $60,880,000 volume." The actual sales and earnings for 1956 were $64,335,000 of sales and $2,401,000 of net earnings. Our previous peak in earnings came in 1955 with a net after taxes of $2,501,000 which equaled $2.54 on the number of shares outstanding a year ago. The figure $5,230,000 apparently was taken from earnings before taxes in 1955.

Hope this will clear up any misunderstanding as to our past earning record.

Very truly yours
A D PERRY
Vice President & Treasurer
Harshaw Chemical Company

We still cannot figure how we came to call the 1955 results "1956" and worse yet pick up the pre-tax profits.—*Ed.*

Maine Booster

CAMBRIDGE, MASS

GENTLEMEN:

Your November 11th issue has an article about Maine Public Service and their new generators [built by GM's Electro-Motive division]. I seem to recall that an important item about these generators was that they were to be at remote, unmanned stations and that they would turn on and off automatically. This, of course, might be an important financial facet to your story.

Mr Stetson is typical of Presque Isle's splendid citizenry. He is very active in his support of the local Gould Memorial Hospital.

Another facet of Presque Isle and Mr Stetson is the brand new instant mashed potato called "Potato Plus." It is very new, very successful, very good.

If you want to meet fine, warmhearted people and see beautiful open, rolling countryside, visit Presque Isle, Maine.

Very truly yours,
GREGORY COOPER

Diverse Trends At Dayton Rubber

Company Emphasis on
Chemicals & Plastics
For More Profits

BUSINESSMEN have long been known both for their love of golf and their tendency to set up statistical yardsticks. Dayton Rubber Company president Clowes M Christie covered both counts recently as he offered a formula for links-liking executives: "If you're shooting above 80, stick with golf; if you're below 80, tend to your business." As for his own score, 49-year-old president Christie notes he tends to his business, \$60,000,000-assets Dayton Rubber Company of Dayton, Ohio.

Rubber first became a major interest to youthful-looking "Chris" Christie in the early Thirties when he started selling tires for B F Goodrich. In 1938 he switched to industry leader Goodyear and took on the job of selling the rubber industry's then-newest product—foam. Super-salesman Christie sold the first foam mattresses to the U S Grant Hotel in San Diego, the first foam-upholstered seats to the Los Angeles Biltmore and to the Fox movie chain and the first foam cushion chairs for President Roosevelt's *Sacred Cow*.

Then with his sure-sell technique plus faith in his product, salesman Christie founded his own foam rubber company, American Latex, in 1946. Five years later he sold out to Dayton Rubber. He stayed as head of the Latex subsidiary and took a seat on parent Dayton's board. In 1957 he moved up to become president of Dayton.

Tire Tracks. The 54-year-old company which is now Chris Christie's charge is a medium-sized tire maker. But tires account for less than 40% of this increasingly diversification-minded company's total sales.

Like most similarly sized producers, its tire sales are mostly replacement—as the Big Four do most of the business in original equipment for new cars. However president Christie notes: "We do make some original tires for farm machinery, the truck and trailer industry and most of the tires for mobile trailer homes."

In the replacement market about half of Dayton's tires are sold under the brand name Thorobred, the rest through independent dealers or to special-brand customers (Western Auto, White Stores). But president Christie would like to change the 50-50 ratio. He insists: "There is more profit in your own brand and we'd like ours to become better known." First step in that direction: "We are tripling the number of our warehouses and distributing centers." However the company has no intention of discounting the special brand market. Last year it strengthened its position by the introduction of its own "Multi-Mile" tire for automotive chain and department store sale.

In the past year tire production at Dayton has been increased to 10,800 tires a day from 9,000 and Chris Christie hopes: "In the next few years production will be increased

to a peak capacity of 15,000 tires per day."

Tireless Treads. "But the tire business," as president Christie states, "is highly competitive and profit margins are very low." As a result Dayton in the last two years has placed increasing emphasis on industrial rubber products, chemicals, plastics and research. "We are searching out the fields with longer profits." In fact, in face of increased interests in other fields, Dayton may rechristen itself as "Dayco."

One of Dayton's best profit areas is in industrial rubber products which account for some 30% of total sales. Most important are V-belts used for all types of power transmission. Dayton serves about 85% of the auto V-belt market (General Motors as well as Ford) and can produce more than 100,000 V-belts a day at the new Springfield plant. Other "big in sales" industrial items include printing and steel mill rollers; molded rubber products; flexible radiator and vacuum hose; and parts for textile machinery.

The remaining 30% of Dayton sales volume is filled by president Christie's old favorite, latex foam (produced both by Dayton's own Koolfoam division and by subsidiary American Latex); urethane foams (sold under the brand name Stafoam) for cushioning and insulation and rigid urethanes for all types of molded products; and plastic sheeting, tubing and rods from subsidiary Cadillac Plastic & Chemical.

To foster continued growth of its products Dayton will spend $2½-to-3 million this year on research. A new research center at Hawthorne, Cal "is exploring all phases of guided missile development"—urethane-based fuels as well as rigid urethane missile containers. In the area of product development Dayton also keeps its eye on the road, looks ahead to a poured urethane tire with a life expectancy of 150,000 miles.

In the meantime president Christie sets his sights on more immediate returns. He notes: "A lot of earning power has come from our new subsidiaries." Cadillac Plastic & Chemical of Detroit which was acquired in 1957 for 77,000 common shares "has nearly doubled its profits in the last two years." And Hardman Tool & Engineering Company was acquired last March; it makes aircraft seats, space and aircraft components (shock absorbers, baggage containers, etc) and "is already operating in the black."

Dayton also operates abroad. It has tire and industrial rubber prod-

Chris Christie of Dayton

Polyurethane foam by the yard

ucts plants in Canada and Scotland and technical service arrangements throughout the world. Since last July all foreign activities have been under the direction of the new International division which "made a profit last year." Latest overseas project: a tire plant to be built in India and a 50-50 partnership with Hevea of Holland to distribute Dutch-made rubber products (under license from Dayton) on the Continent.

Profit Pickup. As for Dayton Rubber itself Chris Christie notes: "Although the steel strike affected our V-belt and trailer tire business in the last few weeks of fiscal 1959 [year ended October 31] full year sales will reach a record $101,000,000," *v* $85,500,000 in 1958. As for 1959 earnings he admits: "Startup expenses at the new Springfield plant reduced tire prices and keen competition in the foam market affected earnings all through the year. However Dayton earnings should be about $2.30 a share" (not including 31¢ a share of undistributed earnings from its one-seventh interest in Copolymer Rubber & Chemical Company), a hefty increase over 1958's $1.19 a share although not quite up to the $2.79 earned in 1956 and $2.86 of 1955.

But even with good earnings in 1959, Dayton will stay with its $1.40 a year dividend payout which provides a 4.2% yield at the present Big Board price of 33 for the 1,100,000 common shares. Chris Christie states: "I'm kind of Scotch when it comes to dividends—I'd like to get some cash ahead and not always be borrowing for expansion." But president Christie likes stock dividends. Latest evidence: a 5% one payable next month. Ahead of the common rank $16,000,000 in long-term debt and 46,500 shares of preferred. Aside from additional common shares to be issued for this February's and possible future stock dividends, acquisitions etc, the number of common shares is due to be increased by 170,000 shares converted from debentures.

Alpha Cement Tunes Up For the Sixties

**No 8 Producer
Adds More Barrels
For Coming Boom**

ONE OF THE favorite sayings of Robert Sinclair Gerstell, president of $62,000,000-assets Alpha Portland Cement Company is: "It's no crime to make money." Which is just as well because otherwise he would have to plead guilty on behalf of Alpha which has just completed the most successful year in its 65-year existence. The company expects to report sales close to $40,000,000 and estimates net income around $7,000,000 or $4 a share. The score might well have been higher had not the steel strike stunted fourth quarter construction progress.

The earnings news is doubly welcome since it reverses a two-year decline from the former profits peak of $6,080,000 ($3.45 a share) on $35,420,000 sales in 1956. The following year the cement industry suffered its first setback in twelve years. In addition Alpha was beset by a costly strike and flood woes. This tripped company volume 13% while net sloughed off to $2.90 a share. While in 1958 Alpha recovered half the previous year's sales dip, increased costs and plant start-up expenses dropped profits further to $2.79.

But in 1959 Bob Gerstell has had the happy task of repeatedly revising his estimates upwards. Last week he remarked: "Our shipments were up 16% above 1958. Earlier I had predicted a 5-to-7% boost."

Bob Gerstell inherits his cement instincts from his father Arnold Frederick Gerstell who came to Alpha in 1898 and was president in 1909-14. Bob himself worked summer vacations from Lawrenceville School and Princeton at the Martins Creek plant. He recalls "one of my first jobs was making wooden barrels. In those days they used to ship cement only in these barrels and cloth bags." He joined up for good as a clerk after he received his BA in 1917.

The president attributes no small part of Alpha's good fortune to the first full year of benefits from a $26,000,000 expansion program. Alpha jumped on the expansion wagon in 1957 with plans to boost capacity by one quarter. To handle the job it borrowed $20,000,000 from Chase Manhattan.

The biggest addition comes from the new 2,250,000-barrel plant at Lime Kiln near Frederick, Md which went on stream in July 1958. Equipped with the ultimate in push button controls, the unit is one of the most modern and efficient cement plants. It requires about half the manhours to produce a barrel of cement than any of the other plants in the Alpha system.

Built at a cost of only $8 a barrel of capacity as against the going rate of $10 or more, Lime Kiln also ranks as one of the most economical structures erected in the modern cement boom. Bob Gerstell explains: "We had a darn good contractor and he saved us a lot." His philosophy on new plants: "Keep

Lighting the kiln at Lime Kiln

'em just as simple as possible so long as they can operate efficiently. I'd like to build some of those fancy jobs you see pictured here and there but a simple plant costs enough as it is."

In addition Lime Kiln "sits right atop the Baltimore-Washington area which is growing just as fast as the nation as a whole." Served by the B&O railroad, it can ship into this market with freight rates "lower or equal to any plant in the area."

The rest of Alpha's expansion budget went primarily into an additional 750,000 barrel unit at the St Louis plant, now the largest in the Alpha network. Besides Lime Kiln and St Louis, Alpha has plants at Martins Creek, Pa (just seven miles from the Easton headquarters), Jamesville and Cementon, NY, Birmingham, Ala ("it's old but it's a honey"), Ironton, Ohio, La Salle, Ill. They add up to a capacity of 14,150,000 barrels to rank Alpha as No 8 in the industry.

In 1958 Alpha abandoned an 850,000-barrel unit at Manheim, W Va. "It was a high-cost unit and not in a fast growing market." It is now up for sale; one potential buyer has taken an option but "we don't know whether he'll exercise it. If not we'll have to write off the plant but its effect on our profits will be minor because the plant has already been substantially depreciated."

Conservative Capital. Such conservatism is typical of Alpha and extends to the company's capitalization. The 1,800,000 shares of common trade on the Big Board under the AHP ticket symbol around 35, about midway in the narrow seven-point range for 1959. Save for a two-year lapse in the Depression the company has paid dividends steadily since 1916. The current rate of 37½¢ quarterly was established in mid-1955; in 1959 it was supplemented by a 25¢ extra and a 2% stock dividend. Working capital stands at $11,600,000. There is no preferred stock and the $11,500,000 outstanding balance of the company's expansion loan ("we're paid up into November 1961") is the sole long-term debt. For the present tight-money period, profit-minded Bob Gerstell has no intention of reducing the loan any further. "We're putting our excess cash into tax anticipation notes and commercial paper which actually yield almost half a percent more than our interest."

One reason for the excess cash is 1959 was a year of assimilation with

capital expenditures totaling only $3,000,000. The company added relatively little to capacity last year. Rather the money went into various small improvements. One project: $900,000 for new silos at the Jamesville plant. "These are the last word. They are not only elevated but quadrated which means we can store up to four different types of cement in each silo if we want to." Another: preheaters at the Catskill plant. These are devices that utilize waste kiln heat to warm the raw material before it ever gets to the kiln, thus requiring less heat to process.

But Alpha has no intention of being left behind in preparation for the anticipated construction boom of the Sixties. The 1960 expansion budget, pegged around $5,000,000 marks the onset of a seven-year, $58,000,000 program to be financed from depreciation and retained earnings. Bob Gerstell admits: "This is ambitious. We're not sure we can get that much money to spend but we're setting our sights high."

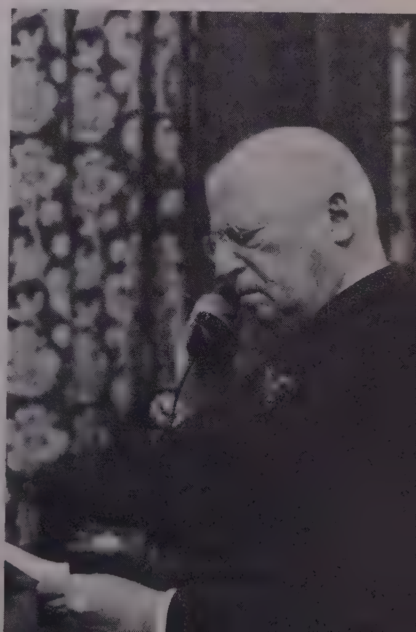
Alpha's depreciation is figured around $3,300,000 for 1959 which works out to roughly $1.87 a share. This compares with $2,700,000 or $1.53 a share in 1958. For 1960 president Gerstell estimates $3,200,000 or $1.82 a share. Cash flow has been boosted thanks to the Supreme Court's 1956 Dragon Cement decision. Many cement companies now figure their percentage depletion allowance on the value of the finished product rather than of kiln feed, thus providing a greater tax deduction. And like others in the industry, Alpha has filed for a tax refund, seeks $6,500,000 plus interest for 1951-56. However, Internal Revenue insists the Dragon case applies only in certain special situations and much further litigation is certain.

One of the first projects in the new expansion program will be to install Strong-Scott coal mills for pulverizing coal at Martins Creek. Also "We plan new silos at our Catskill plant and at La Salle."

And as in most business these days, the possibility of an acquisition is never discounted. Bob Gerstell reports: "We are continually on the lookout for other companies." Another consideration is a new plant "but nothing is jelled. I've got a site in mind which looks pretty good but we haven't critically surveyed it yet."

When undertaken, the Alpha survey is sure to be extensive. The plant

Alpha's Bob Gerstell



must be assured of a good fuel source—"we prefer gas which we use at Birmingham and St Louis. It's cheaper than coal." And since cement is a bulky, low-cost commodity the site must have both easily accessible raw materials and a nearby market for economical shipping.

Shipshape. Right now the company ships mostly by rail "but trucking is coming more & more into the picture." Alpha's first try was at Ironton, then came Jamesville which serves the Syracuse area. "Our competitors were trucking and getting too darn near to our market. We implored the railroads to lower their rates. But they dilly-dallied and so we decided to start trucking. Now 90% of our shipments from that plant move by this method."

Alpha will soon experiment with water shipments from its Catskill plant which is right on the Hudson River. "Our competitors barge into the New York market so we decided to build a dock and plan to start barging ourselves next Spring." President Gerstell notes: "In the old days there was lots of shipment by water—all up and down the coast. They used to bring schooners right alongside our Catskill plant. But that was before there were many cement mills and you could economically ship longer distances."

Shipping economies are especially important since industry shipments (335,000,000 barrels in 1959) are expected to dip slightly in 1960. Alpha will be no exception and "we should go along with the trend and ship 2-to-3% less."

One reason for the slack: an expected slowdown in housing starts. Another: the still unaccelerated Federal road program. "About 25% of our as well as industry business is highways." Eventually however, Alpha which "supplied material for the first cement road in the State of New Jersey back in 1912" expects to sell a lot of cement for the road program. "Cement will undoubtedly be the preferred material for all densely traveled highways." A concrete road may cost more initially but the "maintenance is unquestionably less and these are the costs the states worry about"—they must pay for maintenance while Uncle Sam foots 90% of the original construction costs. Bob Gerstell has some other selling points: "It's safer to ride on concrete. There's better night visibility and we've even licked the joint-thump by sawing the joints. This also in a large measure eliminates cracking."

For the near-term however, Alpha, like other East Coast producers, has another problem to contend with: foreign competition—"a headache of the first degree. It hits us mostly in the New England area where we have drastically lowered our prices to meet this competition but we can't meet it all. And with labor costs on the rise we can't fall back on increased efficiency forever." To compensate Alpha has increased prices 10¢ in St Louis and Birmingham and 15¢ in La Salle.

With these pressures in mind the 66-year-old president figures Alpha earnings will fall off slightly in 1960 though he certainly "expects this to be another good year."

Penney on Credit Means Dollars Earned

Charge Accounts
Bring Many Changes
To Nationwide Retailer

BY THE END of 1960 customers of 600 of the 1,687 J C Penney stores across the country will be able to walk into the famous cash & carry emporiums and "charge it." One of the last major holdouts for the cash-only policy, the nation's largest "junior department store" chain finally succumbed in September 1958 when it began to pilot-test credit in 24 stores. By the end of 1959 credit plans had been established in 190 units or slightly more than 10% of all Penney stores. This year 410 more stores will join the plan and by the end of 1963 the entire Penney operation should be "creditized."

Penney's long-standing and now erstwhile cash policy was one of the founding principles of James Cash Penney who opened his first dry goods store in Kemmerer, Wyo in 1902. Called The Golden Rule, it quickly proved more successful than moralistic JC's first retail endeavor: a butcher shop which was forced to close because the straight-laced merchant refused to give "payola" in the form of a weekly bottle of whisky to the chef of the local hotel, his biggest customer.

Cash Core. From the beginning Penney believed his customers should buy only what they could afford to pay for in cash. However by the time he retired from the chairmanship in 1958 (the 84-year-old merchant is still a director) Penneys' strict policy was being readied for change. Present Penney president William Milfred Batten states: "Mr Penney never has been and is not now in favor of credit but he believes just as firmly in letting management run the business."

He can rest assured management knows the business. Almost without exception, the major Penney officers have traveled a steadfast path to the top. President Batten's career is a good example. In his high school days, Mil Batten worked sparetime as a clerk in the Parkersburg, W Va store. But since storekeeping was his father's business, Mil "did not want to drift into retailing" without a try at something else. So after graduation from Ohio State in 1932, he went to work for the Kellogg Company. However the 50-year-old president relates: "The longer I stayed away from the store the more anxious I became to get back." Consequently in 1935 he took a 50% cut in salary and joined the Parkersburg store at $75 a month.

Direction Setter. From this point on Mil Batten, like every Penney "associate," (there are no employes) was a subject of the yearly "personnel inventory," a system which "appraises all management men and trainees and blueprints them for the coming year." Apparently Mil Batten scored high. He was transferred to Lansing, Mich

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COVER: President Mil Batten (right) looks over Penney expansion plans with real estate vp John Brown.

as a salesman the next year and then in 1940 moved into the home office on Manhattan's merchandise-conscious 34th Street as training director. Eleven years later he was named assistant to then president Albert William Hughes. In April 1958 when Al Hughes took over the chairmanship, Mil Batten moved into the president's shoes himself.

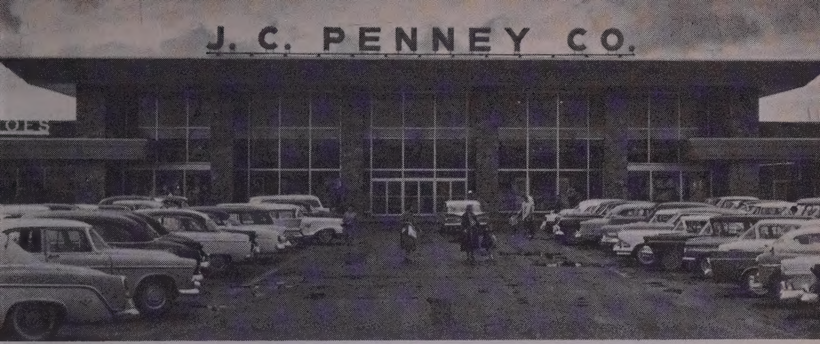
Now almost two years on the job, the hard working chief executive, whose work force numbers no fewer than 35,000 even in the slowest month of the year, contends: "I don't run Penney." The manager of each store is wholly responsible for his own operation, including selection of merchandise, because he knows his area and his customers best. He is also responsible for his sales and profit results. Thus "the running of the Penney Company is in many hands." He elaborates further: "The home office is for setting overall direction and policy, supplying services and delegating responsibility and authority." The result is certainly unique: a corporation of hundreds of stores in every continental state ("no immediate plans" for Alaska and Hawaii), each operated semi-autonomously and yet each distinctly Penney.

To keep Penney "distinct" all merchandise is ordered from a central buying set-up where over 90% of the goods carry the Penney label. To be sure they are uniform and up to par, samples are continually run through the company's consumer testing lab in New York. Company designers work closely with manufacturers, even go so far as to lay the patterns out on the cloth. This also helps control costs. Another economy measure is geographic dispersal of some 6,000 suppliers throughout the US. Penney also maintains small buying offices in Florence, Italy and Osaka, Japan to take advantage of good foreign purchases.

Such careful but widespread selection helps uphold another traditional Penney belief. Mil Batten explains: "To be most successful a company should have distinctive character or personality, stand for something. It would be a tragedy if we had nothing to set us apart. We want to make our image as pleasing and attractive to people as we possibly can."

Credit Character. Right now Penney is faced with the problem of putting character into its new credit policy. Since none of its employes or managers had any previous experience with credit the company has reversed another long standing policy and brought in a few qualified credit people to teach its sales help and to administer the system. Says Mil Batten: "We didn't like the idea of having to go out but first we had to get a faculty."

In May 1959 the company also elected its first outside director, former First National City Bank chairman Howard C Sheperd who among his many financial skills has wide experience in the intricacies of credit. Right now instalment accounts are financed entirely from within. But as accounts grow, alternative methods are sure to be needed.



Familiar tenant in new shopping center near Rockville, Md

While the new credit plan thus has its problems and expansion-minded Batten admits "we're not on top of all of them yet," he notes: "If we want to grow we have to do business the way people want to buy. Others have made a success of credit —it is our responsibility." The credit plan should not only please Penney customers, but also Penney's 34,000 stockholders since it is bound to speed up sales growth in the long run. Explains Mil Batten: "There has been a tendency toward higher priced merchandise [and thus higher average sales] in stores offering credit. It can result in expansion and greater breadth of present lines." Credit has also led to "a more positive approach to other lines"— mainly hard goods which now account for less than 5% of total sales. Thus the new approach "could result in our approximating a department store more than we do today."

So far, president Batten says, "credit has had no appreciable effect on overall company sales." As for the individual stores "it takes three or four months for a store to begin to show an increase and the direct effect is often difficult to evaluate."

Store Stock. Meantime Penney has not confined its expansion solely to merchandise on the shelf. In the past two years the company has added 41 new stores, relocated 85 existing ones and enlarged or improved about 400 more. At the same time 52 smaller, less profitable stores were closed. Consequently, while the selling space of the company has increased substantially, the number of units remains relatively the same. Most of the new stores being built today will average 40-to-50,000 square feet compared to perhaps 12,000 square feet pre-war. Largest is the 294,000-square foot Seattle unit. This store is also the leader in volume, brings in 25% more than its closest Penney brother (in San Francisco).

Most stores are leased (fewer than 50 are owned), so Penney can open or close a unit with a minimum of cost and effort. But before any such move, a careful study is made of each individual community, its buying habits, accessible highways and population pattern. In some cases a community or shopping center has petitioned the giant retailer to open

a store. Eventually of course president Batten hopes the total number of stores will keep increasing "over a period of time. Certainly the company does not have as an objective a fixed number of stores."

Penney has financed all expansion strictly from retained earnings and depreciation. Thus the company has no debt or senior securities. Sole capitalization is the 8,232,000 shares of common which have traded on the Big Board under the JCP symbol between 98 and 125 during the past year. Current price: 119. Dividends, paid each year since 1922, averaged 72% of earnings in the last five years. The current quarterly rate of 75¢ was supplemented by a $1.25 extra paid last January and directors meet tomorrow to determine the dividend which will be paid around February 1.

JCP has also long been considered a split candidate by Wall Streeters but Mil Batten insists "there's been no talk here." The shares last split 3-for-1 in 1946 after hitting 159.

The nearly 1,700 Penney stores rang up a $1.41 billion business in fiscal 1958 (ended last January) and showed a profit of $46,880,000 or $5.69 a share. Because Penney changed its fiscal year from December to January, these figures cover a 13-month period which makes some year-to-year comparisons difficult. But for the ten months ended November sales were up 8% over the same period the previous year. They would have been higher except for the steel strike which slowed the rate of gain somewhat in the last month. Nonetheless Mil Batten says: "In view of the prolonged steel strike, business held up better than we expected. Sales have been off in several industrial sections but it's been spotty; there's no pattern. We're still on a cash basis in those areas so we probably suffered more than our competitors who let the workers come in and charge."

Sales are still ahead of the 5-to-6% gain budgeted for the second half. For the full year ending this month they are estimated about $1.4 billion which will be a new record for a twelve-month period. But Mil Batten in reply to Wall Street estimates of $6.25-to-6.50 a share earnings merely notes, "We'll leave predictions to the professionals."

Looking ahead to fiscal 1960, Penney has budgeted a 5-to-7% sales increase based on "the general uptrend of the economy. But we didn't consider a steel strike recurrence or a railroad strike. Should that happen we might turn out to be optimistic."

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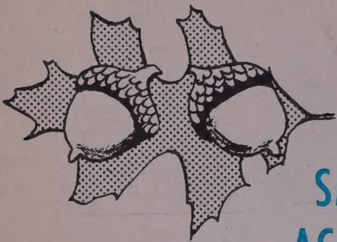
HOOKER HUT

Igloos are no longer native only to the climes of the icy North as witness this National Research Council of Canada demonstration at Ottawa. Hooker Chemical Company provides the fire-resistant Hetrofoam polyurethane to Long Sault Woodcraft Ltd of Quebec which premolds the stuff into geometric panels for the speedy erection of Eskimo-like dome huts for all types of ground shelters (no mortar or structural members needed). For instance the continuous polyurethane foam igloo (a-building above, completed below) is especially useful as a radome since it provides a non-conducting surface covering for sensitive radar equipment.

Meantime top Hooker brass is heading for new but strictly non-igloo housing. In March they will move corporate headquarters from Niagara Falls, NY to Manhattan's Tishman Building. But Niagara Falls remains the key operations center. Under an ambitious five-year, $100,000,000 expansion program inaugurated in 1959, the $150,000,000-assets chemist will build supplementary chlorine facilities at Niagara Falls and also North Vancouver; it will increase phenol capacity and also enlarge other chemical and plastic facilities.

To help finance this expansion Hooker sold $25,000,000 of 5% debentures in September. They are convertible into Hooker common stock at $45 (current price of the common: 42). For 1959 the company estimates sales of roughly $150,000,000, up 18% from 1958; Wall Streeters figure earnings around $1.80 a share v $1.43.



SMALL ACORNS

It's a matter of common agreement that the modern electrical age was made possible by Michael Faraday's discovery of the principle of electromagnetic induction. Yet England's Prime Minister, when told of Faraday's discovery, asked, "What good is it?" And Faraday rose to the occasion with the perfect reply: "What good is a baby?"

Of course, sociologically speaking, a baby is no good at all. It consumes without producing. It makes noise without making sense. In short, it is a true parasite.

But it has a future—useful (we hope), brilliant (perhaps). It may even be another Faraday.

It's the future that counts in all human enterprise—and that includes investing. The people who buy stock are buying shares in cars that aren't built yet, metals that aren't mined yet, food that isn't grown yet, drugs that aren't developed yet. They are buying potentialities.

If you are thinking about investing, you'll want to be sure that the potentialities you are buying are promising ones. A copy of our quarterly "Guide for Investors" may help you decide your course. Just ask for it at your nearest Merrill Lynch office. It's free, and you're welcome.

Accepted as controlled
circulation publication at
POUGHKEEPSIE, N. Y.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Please send address changes to
Western Printing Co., Poughkeepsie, N. Y.